1974 ANNUAL REPORT

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CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED Annual Report 1974

Officers

Hon. Walter L. Gordon	— Chairman
L. C. Bonnycastle	— Vice-Chairman
V. N. Stock	— President
B. H. Rieger	— Vice-President
J. Boyd Clarke	— Vice-President
J. P. Parker	— Vice-President
L. W. Larkin	— Vice-President
J. A. McKee	— Secretary-Treasurer
T. M. H. Hall	— Controller
E. H. Durnan	— Assistant Treasurer
W. H. Irwin	— Technical Director

Board of Directors

L. C. Bonnycastle	— Toronto
J. Boyd Clarke	— Toronto
R. Winfield Ellis	— Chicago
Hon. Walter L. Gordon	— Toronto
A. G. S. Griffin	— Toronto
C. Malim Harding	— Toronto
Hon. Maurice Lamontagne	— Ottawa
L. W. Larkin	— Toronto
J. H. Moore	— London
A. J. MacIntosh, Q.C.	— Toronto
J. P. Parker	— Toronto
B. H. Rieger	— Toronto
Godfrey S. Rockefeller	— New York
Zoltan D. Simo	— Toronto
V. N. Stock	— Toronto

Head Office

2080 Commerce Court West,
P.O. Box 131,
Commerce Court Postal Station,
Toronto, Canada, M5L 1E6

Transfer Agents

National Trust Company, Limited
Toronto and Montreal

Bankers Trust Company
New York

Directors' Report to Shareholders:

1974 was another good year for our company as shown in the following table:

Year	Sales	Income before extraordinary items	Income per share before extraordinary items
1970	$104,954,000	$2,328,762	$1.09
1971	120,616,000	3,053,587	1.43
1972	136,035,000	4,329,896	1.96
1973	167,216,000	7,190,552	3.25
1974	231,738,000	9,331,242	4.21
Increases			
1974 over 1973	39%	30%	30%
1974 over 1970	121%	300%	286%

In 1974 a policy of consolidating the positions of the companies acquired in the previous year and of expanding the potential of our overall operations was pursued aggressively. In the result sales increased by 39% and net income before extraordinary items by 30%. These figures include the full year's operations of Regal Stationery which was acquired in October, 1973 and Tender Tootsies which was acquired as of December 31, 1973.

A strong balance sheet position has been maintained with increases in working capital during each of the five years and a 1.7 to 1 ratio of current assets to current liabilities as of December 31, 1974.

Perhaps of greater significance than the increases for the one year are the increases in our company's operations over a longer term. It will be seen from the table that from 1970 to 1974 sales increased by 121% and net income before extraordinary items by 300%.

from ?

Commencing in January, 1975, the quarterly dividend was increased to 30¢ on the Class A shares and to 25½¢ payable out of tax-paid undistributed surplus for Class B shares.

The financial results of your company's subsidiaries for 1974 grouped under the same five divisions as last year are shown on page 7 with comparative figures for 1973. These individual companies and the industries within which they operate have been selected so as to diversify the overall operations of Canadian Corporate Management and minimize the effects of a cyclical economy. As a result the company should no longer be subjected to substantial fluctuations in sales and earnings and this is indicated by a brief review of the larger operating companies.

The Larkin Lumber Company, despite difficult operating conditions, marked by a sharp drop in forest product prices in the early fall, ended the year with both record sales and profits. Although there has been a sharp decline in residential construction, the "do-it-yourself" market has a continued strong countercyclical effect and should offset to some extent the drop in sales to builders. The company is continuing its aggressive policy of expansion through the opening of new stores, modernization of existing locations and the extension of product lines.

detail

The Chromalox group of companies had a dramatic increase in sales and profits in 1974. With the rapidly rising costs of competing fuels and the long-term supply problems of oil and gas, electric heat has been taking an ever-increasing share of the residential heating market. Despite a long strike, the Chromalox management were able to react to this increased

demand and maintain its leadership and dominance in the market. The long-term opportunities for electric heat continue to be good and, while the sharp fall-off in housing starts and appliance sales will have a depressing effect, this will be counter-balanced to some extent by the increase in market share of electrically heated residences.

Status? Dominion Forge is providing for a wider range of products through the expenditure of $1,200,000 on high speed forging equipment and heat treat facilities. During the year it has been able to reduce its dependence on the automotive industry by broadening its base of customers, primarily in the large truck and heavy off-highway equipment industries. Forgings used in these applications require a higher level of engineering and production expertise. During the late 1960's there was virtually no increase in the demand for forgings in North America but this demand has almost doubled in the last four years, partly due to the pressure for greater safety of vehicles and equipment which required the reliability of forgings. The increased demand for quality forgings and the diversification of customers has reduced substantially the previous cyclical nature of Dominion Forge business.

Northern Pigment added substantially to its production capacity in 1974 to meet the high demand for iron oxides from the construction and ferrite markets. It also increased its penetration into world markets and developed additional uses for its products. Two new markets are the photocopying field and the use of iron oxides as a catalyst in the refining industry. One of the major markets for iron oxides is their use as a colouring agent in the paint industry. The stringent limitations on the use of lead pigments in interior paints has further enhanced the demand for iron oxides.

Regal Stationery showed excellent results in 1974. Marketing and financial personnel have been strengthened and capital expenditures have increased capacity for envelope manufacture. The unique method of marketing its manufactured and imported products through direct sales gives the company substantial immunity from the fluctuations in demand faced by other merchandisers. Additional branches and catalogue outlets are being planned.

Tender Tootsies operated at full capacity in 1974 and added to its plant facilities during the year. Its marketing techniques, style selection and manufacturing know-how have expanded its share of the Canadian market in ladies lower-priced footwear. Its newest line introduced for spring sale in 1975 called "Toe Wigglers" has proved particularly successful.

Production capacity has been increased at a number of our other companies. Thermetic Controls has doubled its production capability. Delhi Industries has added 12,000 square feet to its plant. Neo Industries has installed new plating and machining equipment and has purchased additional land for expansion purposes. Guelph Engineering is facing a great increase in the demand for its products as a result of the expansion in the oil and power generation industries and has placed substantial orders for new machining equipment. IEC-Holden has embarked on a joint venture to manufacture in Canada Pandrol rail clips which are used as tie-downs in laying new track.

In 1974 the company had two operations that were not profitable. The Canadian Skate Company has incurred losses since it was acquired by Jelinek Sports Limited in 1972 and the decision was made to cease the manufacturing operations in 1974. The loss on the year's operations has been deducted in arriving at the income before extraordinary items and the costs of discontinuing this product line that will occur in 1975 have been provided for as an extraordinary expense. The Guelph Engineering Company Limited also suffered a loss in 1974; this loss was primarily due to the engineering costs and other preproduction expenses related to large nuclear valve contracts for delivery beyond 1974. Guelph Engineering's production facilities are fully booked to the end of 1976.

The losses of these two companies resulted in 23¢ per share reduction in the company's operating profits in the year 1974.

At the management level there have been several new appointments made. J. P. Parker has taken over the Presidency of Regal Stationery in addition to his other duties; R. B. Winsor has been appointed President of IEC-Holden on the appointment of J. C. Hodges as Chairman of the Board; W. L. Seeley has been appointed President of Triad Financial Services on the retirement of R. C. Fisher, and R. A. Morrison has been appointed President of Richardson, Bond & Wright following the appointment of C. G. Fleming as Chairman of the Board.

Two important labour settlements have been completed by our subsidiaries within the past five months. In September, 1974, Canadian Chromalox, after a strike lasting 10 weeks, reached a settlement which covers the period to April 29, 1976. On February 3, 1975, Dominion Forge reached agreement with its employees on a contract which will run until December 31, 1977. The latter negotiations were amicable throughout, and reflect the much improved labour relations at Dominion Forge, for which both the union representatives and management are to be complimented.

The growth of Canadian Corporate Management has been due to the energy, imagination and ability of the officers and staffs over the years, and it is gratifying to review the progress which the company has made since its inception in 1944 as Canadian Management Company Ltd., the predecessor of the present company. In 1973 and 1974 the company was included in the list published by the Financial Post of the 100 largest Canadian companies in the manufacturing, resource and utility fields. Only about 40 of these 100 companies are controlled in Canada, which makes this progress to date even more significant. There are now over 5,000 men and women who represent the company and the Directors wish to express their thanks and appreciation to all of them for contributing to the improved sales and profits of 1974.

Submitted on behalf of the Board of Directors.

Walter L. Gordon, Chairman.

V. N. Stock, President.

Toronto, Canada
February 28, 1975.

V. N. STOCK, PRESIDENT

HON. WALTER L. GORDON, CHAIRMAN

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED
(Incorporated under the Canada Corporations Act)

Consolidated Balance Sheet December 31, 1974

(with 1973 figures for comparison)

ASSETS

	1974	1973
Current Assets:		
Cash	$ 1,783,992	$ 1,432,642
Marketable securities at cost (market value $287,000; 1973 - $3,144,000)	232,742	3,150,800
Accounts receivable	30,855,599	28,143,998
Inventories (note 3)	47,599,112	34,776,700
Prepaid expenses	325,301	383,091
	80,796,746	67,887,231
Triad Financial Services:		
Finance receivables less portion not due within one year	2,137,929	1,449,365
Total current assets	82,934,675	69,336,596
Fixed Assets, at cost (note 4)	50,603,310	46,498,692
Less accumulated depreciation and amortization	28,952,188	26,240,956
Net fixed assets	21,651,122	20,257,736
Other Assets:		
Triad Financial Services:		
Finance receivables less portion due within one year	2,999,324	1,355,357
Mortgages and other investments at the lower of cost or estimated realizable value	3,027,713	1,935,986
Due from employees (note 5)	418,875	
Sundry assets	412,422	537,150
Total other assets	6,858,334	3,828,493
	$111,444,131	$93,422,825

The accompanying notes are an integral part of the financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1974 and the consolidated statements of income, surplus, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies

LIABILITIES AND SHAREHOLDERS' EQUITY

	1974	1973
Current Liabilities:		
Bank advances (note 6)	$ 13,048,461	$ 8,091,829
Accounts payable and accrued charges	23,561,376	21,241,021
Income and other taxes payable	4,555,034	3,439,011
Dividends payable	611,747	509,133
Current portion of long-term liabilities	2,595,610	498,951
	44,372,228	33,779,945
Triad Financial Services:		
Bank advances	4,064,718	1,902,000
Total current liabilities	48,436,946	35,681,945
Long-term Liabilities (note 7)	12,187,701	14,404,769
Deferred Income Taxes	848,896	694,895
Minority Interest in Subsidiary Companies	4,345,195	3,993,516
Shareholders' Equity (note 8):		
Capital stock		
Authorized —		
4,000,000 Class "A" convertible common shares without par value		
3,000,000 Class "B" convertible common shares without par value		
Issued and fully paid —		
1,046,165 Class "A" shares		
1,168,227 Class "B" shares		
2,214,392 shares	1,263,123	1,263,123
Surplus	44,362,270	37,384,577
Total shareholders' equity	45,625,393	38,647,700
	$111,444,131	$93,422,825

Approved by the Board:
Walter L. Gordon, Director
V. N. Stock, Director

as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles (except that the accounts of Arosa Properties Limited are not consolidated as explained in Note 2 and the company's equity in the net income of that subsidiary is determined in the manner described in that note) applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 24, 1975

Deloitte, Haskins & Sells
Chartered Accountants

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Income

for the year ended December 31, 1974
(with 1973 figures for comparison)

	1974	1973
Sales	$231,738,000	$167,216,000
Expenses:		
Cost of sales, selling and administrative expenses	204,632,406	147,436,797
Depreciation and amortization	3,822,945	2,883,412
Interest (including interest on long-term liabilities $1,688,163; 1973 - $520,190)	3,973,199	1,751,772
Total expenses	212,428,550	152,071,981
Income from operations	19,309,450	15,144,019
Net income from investments (note 2)	501,169	282,958
Income before undernoted items	19,810,619	15,426,977
Provision for income taxes	9,322,496	7,209,302
Income before minority interests and extraordinary items	10,488,123	8,217,675
Interest of minority shareholders in income of subsidiary companies	1,156,881	1,027,123
Income before extraordinary items	9,331,242	7,190,552
Extraordinary items (note 9)	83,264	
Net income for the year	$ 9,414,506	$ 7,190,552
Income per share before extraordinary items	$4.21	$3.25
Net income per share	$4.25	$3.25

Consolidated Statement of Surplus

for the year ended December 31, 1974
(with 1973 figures for comparison)

	1974	1973
Retained earnings at beginning of the year	$ 36,367,634	$ 32,886,213
Net income for the year	9,414,506	7,190,552
	45,782,140	40,076,765
Deduct:		
Dividends	2,140,202	1,730,387
Tax paid on undistributed income (note 8)	189,339	151,845
Goodwill written off	107,272	1,826,899
	2,436,813	3,709,131
Retained earnings at end of the year	43,345,327	36,367,634
Contributed surplus	1,016,943	1,016,943
Surplus at end of the year	$ 44,362,270	$ 37,384,577

The accompanying notes are an integral part of the financial statements.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Allocation of Sales and Income before Extraordinary Items by Class of Business

for the year ended December 31, 1974
(with 1973 figures for comparison)
(expressed in thousands of dollars)

	1974			1973		
	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items
Electrical and Electronics	$ 41,774	$ 4,215	$1.90	$ 31,468	$ 2,879	$1.30
The Canadian Chromalox Company, Limited						
Delhi Industries Limited						
Milltronics Limited						
Thermetic Controls Limited						
Residential Building Supplies	71,912	3,188	1.44	57,538	2,971	1.34
The Larkin Lumber Company Limited						
Burnel Graham Co. Limited						
Cashway North Limited						
Penn Building Centres Limited						
The Peterborough Lumber Company Limited						
Graphics	35,254	1,146	.52	21,486	770	.35
Canada Decalcomania Company Limited						
Regal Stationery Company Limited						
Richardson, Bond & Wright Limited						
Metallurgical and Chemical	32,241	2,109	.95	25,596	1,676	.76
Dominion Forge Company Limited						
The Guelph Engineering Company Limited						
Neo Industries Limited						
Northern Pigment (1970) Limited						
Products and Services	50,557	959	.43	31,128	558	.25
IEC-Holden Ltd.						
Jelinek Sports Limited						
Parker's Dye Works & Cleaners Limited						
Tender Tootsies Limited						
Triad Financial Services						
York Telecommunications Limited						
	231,738	11,617	5.24	167,216	8,854	4.00
Less interest of minority shareholders and head office expenses		2,286	1.03		1,663	.75
Total	$231,738	$ 9,331	$4.21	$167,216	$ 7,191	$3.25

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1974
(with 1973 figures for comparison)

	1974	1973
Financial Resources Provided By:		
Income before extraordinary items	$ 9,331,242	$ 7,190,552
Add items not requiring an outlay of funds:		
Depreciation and amortization	3,822,945	2,883,412
Interest of minority shareholders in income of subsidiary companies	1,156,881	1,027,123
Deferred income taxes	154,001	573,593
Funds from operations	14,465,069	11,674,680
Fixed asset disposals	1,661,783	475,195
Increase in long-term liabilities		10,250,866
Total	16,126,852	22,400,741
Financial Resources Used For:		
Acquisition of subsidiary companies		9,371,243
Less working capital acquired		4,753,946
		4,617,297
Purchase of fixed assets	6,387,714	4,791,938
Dividends paid:		
By parent company	2,140,202	1,730,387
By subsidiaries to minority shareholders	399,997	308,519
Tax of 15% on 1971 undistributed income	189,339	151,845
Increase in finance receivables not due within one year	1,643,967	250,189
Increase in mortgages, other investments and sundry assets	1,108,527	643,665
Amount due from employees	418,875	
Purchase of minority interests	430,085	398,198
Decrease in long-term liabilities	2,217,068	
Provision for loss on discontinuance of a product line by a subsidiary, less income tax reduction	348,000	
Total	15,283,774	12,892,038
Increase in Working Capital	843,078	9,508,703
Working Capital at Beginning of the Year	33,654,651	24,145,948
Working Capital at End of the Year	$34,497,729	$33,654,651

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

DECEMBER 31, 1974

1. Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and all companies where 50% or more of the share capital is owned by the company or by another subsidiary. The one exception is Arosa Properties Limited, a 51% owned subsidiary; this investment is accounted for on the equity basis whereby the company's share of the income reported by the subsidiary is included in the consolidated statement of income.

Translation of Foreign Currencies

Foreign currencies have been translated to Canadian dollars as follows: income and expenses at average exchange rates during the year; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined substantially on a first-in, first-out basis. The market value of finished goods represents net realizable value, and for other inventories represents replacement cost.

Fixed Assets

Depreciation is provided using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases. At the time fixed assets are retired or otherwise disposed of, the related profit or loss is included in current operations.

Income Taxes

The companies account for income taxes on the tax allocation basis, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowances for income tax purposes in excess of depreciation and amortization charged in the financial statements.

2. Arosa Properties Limited

The accounts of Arosa Properties Limited in which Canadian Corporate Management Company Limited holds a 51% interest have not been included in the consolidated financial statements because the nature of Arosa's business is quite different from that of the other subsidiaries. The investment in Arosa Properties Limited is accounted for on the equity method under which the company's share of income of the subsidiary has been included in the consolidated statement of income. The financial position and operating results of Arosa Properties Limited as of December 31 are summarized as follows:

	1974	1973
Financial Position:		
Land held for development	$5,982,035	$9,589,250
Less mortgages payable	3,715,749	6,524,312
Net equity in land held for development	2,266,286	3,064,938
Mortgages receivable	5,649,003	3,331,226
Other assets	95,174	475,138
Total assets	8,010,463	6,871,302
Deduct:		
Bank indebtedness	2,263,881	3,004,658
Accounts payable, accrued charges and purchasers' deposits	2,146,353	1,530,139
Deferred income	3,455,855	2,260,971
	7,866,089	6,795,768
Net Equity	$ 144,374	$ 75,534
Operating Results:		
Operating revenues	$6,331,848	$8,989,658
Cost of sales and operating expenses	4,999,284	6,639,802
	1,332,564	2,349,856
Deferred income	1,194,884	2,260,971
	137,680	88,885
Deferred income taxes	68,840	45,331
Net Income	$ 68,840	$ 43,554

Included in net income from investments is the company's interest in the reported net income of Arosa Properties Limited.

Land sales of Arosa Properties Limited are recorded when sales are unconditional and all material conditions of sale are fulfilled. On many of these transactions a portion of the sale price is represented by a mortgage repayable at a future date. The company follows the practice of deferring the portion of the net income relating to such mortgages until instalments are received in cash. This method of

accounting for its income on land sales conforms with the method of determining income for tax purposes. Generally accepted accounting practice in Canada, on the other hand, is to include in income the full profit on land sales at the time of sale if not less than 15% of the sale price is received in cash. If Arosa Properties Limited had followed this less conservative practice, its net income for the year would have been increased by $617,000 (1973 — $1,108,000) and the equity of Canadian Corporate Management Company Limited in that income would have been $315,000 (1973 — $565,000) greater than the amount shown in the consolidated statement of income.

3. Inventories

At December 31 the inventories are as follows:

	1974	1973
Finished goods	$25,418,788	$19,844,038
Work in process	7,484,744	4,755,676
Raw materials	14,695,580	10,176,986
	$47,599,112	$34,776,700

4. Fixed Assets

The major categories of fixed assets and related accumulated depreciation and amortization at December 31 are as follows:

	1974			1973	
	Cost of Fixed Assets	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value	Rates of Depreciation and Amortization
Buildings	$14,723,939	$ 5,023,880	$ 9,700,059	$ 9,202,064	4%-10%
Machinery & equipment	32,886,764	23,162,914	9,723,850	8,830,969	20%-30%
Leasehold improvements	1,347,441	765,394	582,047	554,973	term of lease
	48,958,144	28,952,188	20,005,956	18,588,006	
Land	1,645,166		1,645,166	1,669,730	
	$50,603,310	$28,952,188	$21,651,122	$20,257,736	

5. Employee Stock Purchase Plan

During the year the company authorized an employee stock purchase plan to enable the senior management of the subsidiary companies to borrow corporate funds for the purchase of shares of the company on the open market. These amounts are repayable with interest over a five-year period.

6. Bank Advances

Bank advances include bank loans of subsidiaries amounting to $6,500,000 which are secured by pledge of assets in the aggregate amount of $9,650,000.

7. Long-term Liabilities

At December 31, long-term liabilities are as follows:

	1974	1973
Bank term loans bearing interest at 1% to 1½% above the bank prime rate:		
Payable $500,000 annually from 1975 to 1982	$ 4,000,000	$ 4,000,000
Payable $300,000 annually from 1975 to 1978, balance due in 1979, secured by pledge of shares of subsidiary companies	3,000,000	3,000,000
Payable 1975 to 1978, secured by a floating charge and first mortgage on the assets of a subsidiary company	2,430,000	2,750,000
Payable $500,000 annually from 1976 to 1979, secured by assignment of the accounts receivable of a subsidiary company	2,000,000	2,000,000
Payable $200,000 annually to 1977, balance in 1978, secured by a collateral debenture and pledge of inventories and accounts receivable of a subsidiary company	900,000	900,000
Other secured loans	480,000	259,000
Total bank term loans	12,810,000	12,909,000
Notes and mortgages bearing interest at 7% to 8%:		
Notes payable in annual instalments from 1975 to 1977	860,000	790,035
Mortgage due February 1, 1993, repayable in monthly instalments	397,737	407,272
Other notes	528,790	424,700
Non-interest bearing loans:		
Government of Canada, secured	186,784	245,652
Other		127,061
	14,783,311	14,903,720
Less due within one year included in current liabilities	2,595,610	498,951
	$12,187,701	$14,404,769

8. Shareholders' Equity

The Class "A" and Class "B" shares are convertible into each other on a one-for-one basis. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class "B" shares, specify that the dividend shall be paid out of tax-paid undistributed surplus in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands, though the valuation base for capital gains tax purposes will be decreased by the amount received by the Class "B" shareholder.

During 1974 the holders of 35,470 Class "A" shares converted their shares into a similar number of Class "B" shares and 52,975 Class "B" shares were converted to Class "A" shares.

At December 31, 1974 the undistributed income on hand upon which tax could be paid and the balance distributed as dividends on Class "B" shares amounted to approximately $14,600,000.

9. Extraordinary Items

Extraordinary items for the year ended December 31, 1974 consist of the following:

Gain on disposal of property and other assets, less income taxes of $298,735	$431,264
Deduct provision for loss on discontinuance of a product line by a subsidiary, less income tax reduction of $345,000	348,000
	$ 83,264

10. Remuneration of Directors and Officers

As defined in the Ontario Securities Act totalled $862,943.

As defined in the Canada Corporations Act:

(a) The company's fifteen directors received aggregate remuneration as directors of the company of $27,000.

(b) The company's ten officers received aggregate remuneration as officers of the company of $629,918.

Seven of the company's officers were also directors.

In addition, two directors of the company received aggregate remuneration of $298,927 in their capacity as officers of subsidiaries.

11. Pension Fund

At December 31, 1974 the unfunded past service costs of employees' pension plans amounted to $2,300,000 actuarially estimated. This amount will be paid and charged to operations over a fifteen-year period.

12. Long-term Leases

At December 31, 1974 the company and its subsidiaries have commitments under long-term lease agreements extending for various periods up to 1990. The current annual rental payments under these leases approximate $1,120,000.

13. Contingent Liabilities

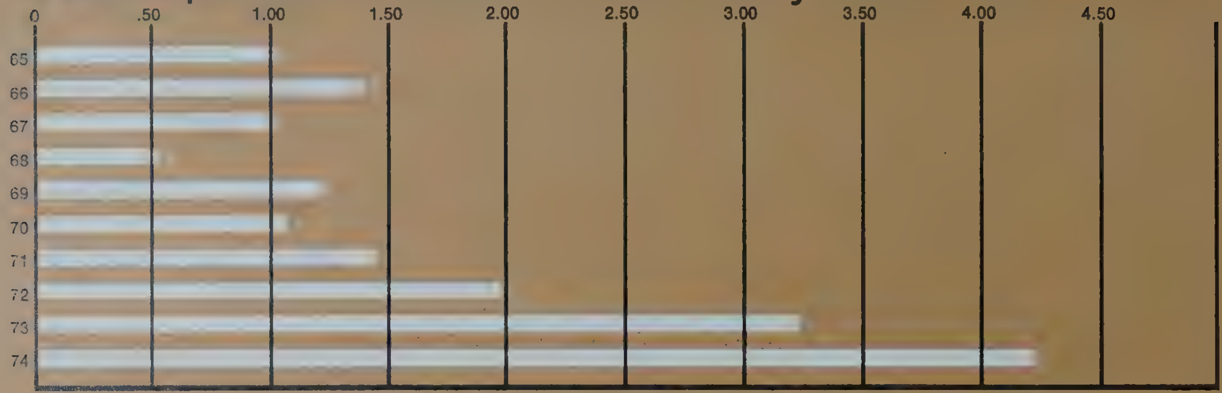
At December 31, 1974 the company and its subsidiaries were contingently liable for $2,400,000 in respect of guarantees, letters of credit and a forgivable loan from the Ontario Development Corporation.

Under agreements in prior years pertaining to the acquisition of subsidiaries, Canadian Corporate Management Company Limited may be required to pay, depending upon the future earnings of the subsidiaries acquired, additional amounts for goodwill which might aggregate $680,000 over a three-year period.

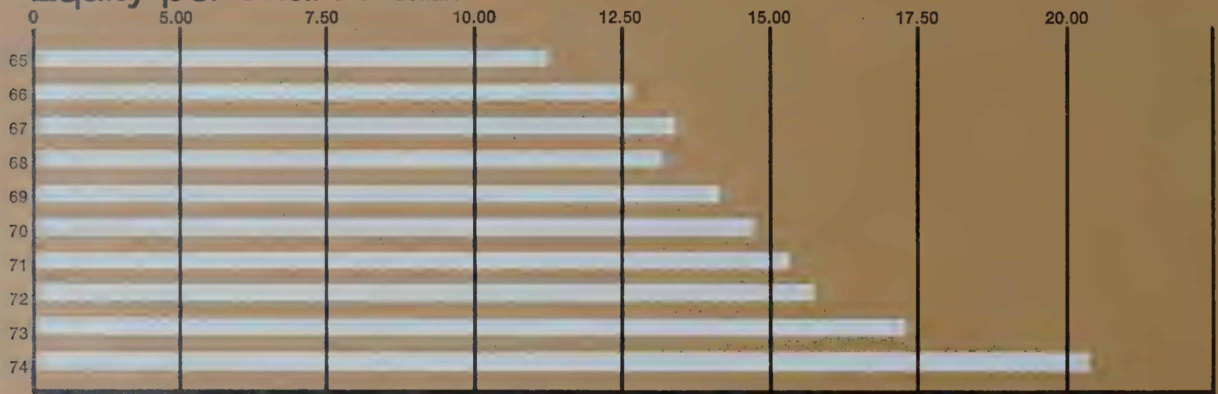
14. Comparative Figures

Certain 1973 figures in the consolidated financial statements have been reclassified to conform with the 1974 presentation.

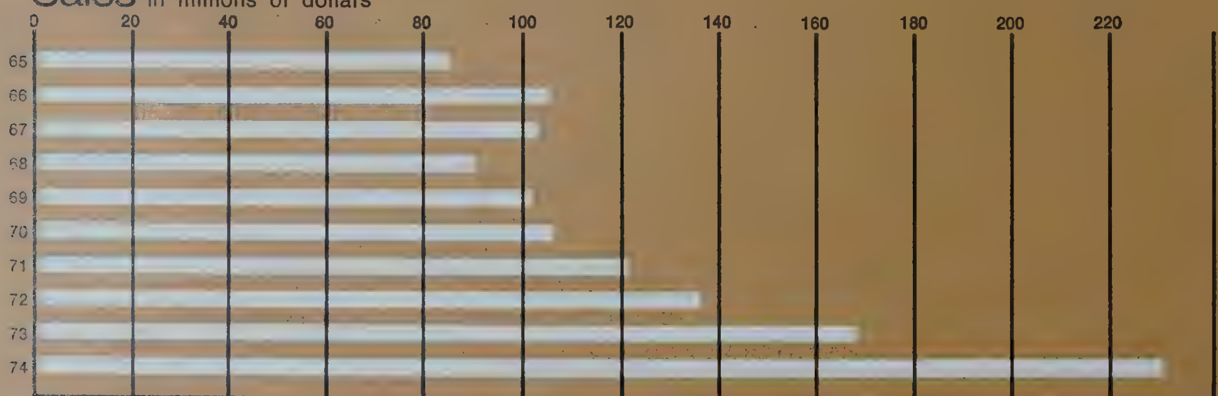
Income per Share before Extraordinary Items in dollars



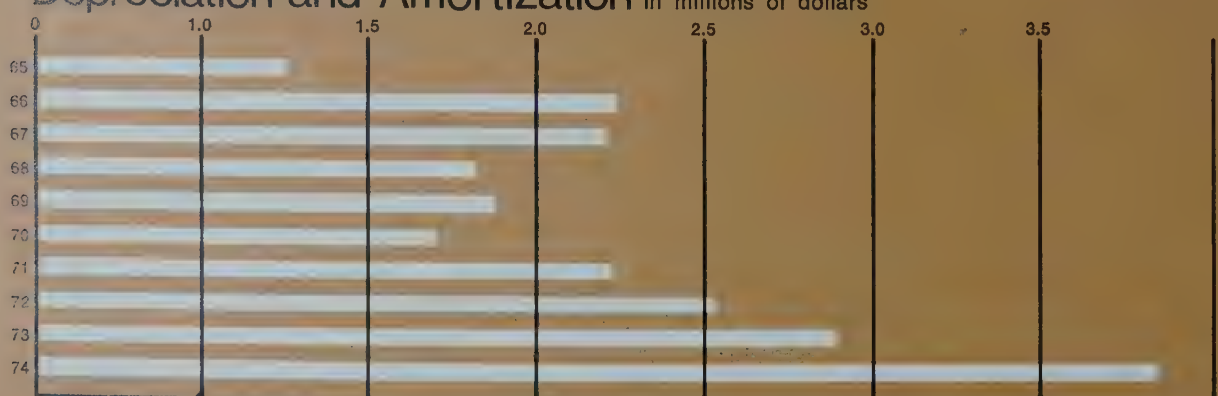
Equity per Share in dollars



Sales in millions of dollars



Depreciation and Amortization in millions of dollars



Electric Heating - the wise use of energy

A millennium of years before man populated the earth his sources of radiant energy were being created. From the sun, the restless prehistoric sea and primeval rain forests, came our fossil fuels — coal, oil and natural gas — in what was once considered to be an inexhaustable supply.

However, man has consumed these fuels at an ever increasing rate and, as a consequence, the cost of locating and bringing further reserves of fossil fuels into production has increased and will continue to do so.

The source of energy that is emerging as the undisputed fuel of the future — is electricity —. Taking the overall efficiency of production, transportation, insulation and operating cost, electricity is the most economical form of heating and the cleanest at point of use.

Electricity provides a further incentive when generated using hydraulic or nuclear power in that no fossil fuel is consumed, thus freeing resources in short supply for use where no viable alternative exists. An example is the air transport and petrochemical industries.

Uranium is by far the largest proven energy resource in the world and Canada has an abundance. A move by Canadian utilities and industry to a nuclear based energy society will ensure that future generations will continue in a life style handed down by the skill and effort of their forefathers.

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ELECTRICAL AND ELECTRONICS

8

The Canadian Chromalox Company, Limited

Toronto, Ontario
Zoltan D. Simo, President
Gordon E. Marshall, Vice President Marketing and General Sales Manager
Lester D. Drugmand, Vice President Engineering and Manufacturing

CHROMALOX, Canada's leading manufacturer of electric heating equipment, continued its active product development program during the year in spite of an all time high market demand. New products introduced included:

—an expanded range in sizes of baseboard heaters.
—open coil duct heaters with capacities to 1000 kw. to supplement the tubular and finned tube duct heater line.
—domestic electric swimming pool heater.
—electric boiler line expansion to eliminate those formerly imported from the U.S.A.

Chromalox successfully launched an architectural line of convection heaters previously under development. This product line is a continuation of the commercial products development plan.

Chromalox Air Conditioning Products

Mississauga, Ontario
Jack McQueston, General Manager

This Division was formed in late 1974 as a separate entity. This new facility includes research and development capability equivalent to the best in North America. It will continue the manufacture and marketing of its successful line of CAM through-the-wall unitary and ducted heating and air conditioning units and other new cooling products.

Glengarry Industries

Cambridge, Ontario
Flavelle Barrett, General Manager

GLENGARRY INDUSTRIES expanded its manufacturing capabilities in 1974 by adding plant and equipment. This will enable the Company to take on additional business for such products as alloy tubing, roll formed parts and stampings.

Hull-Thomson Limited

Windsor, Ontario
Dave Panton, General Manager & Sales Manager

HULL-THOMSON, a supplier to the North American automobile and appliance industries of roll formed and stamped components, will have added capability in 1975 for expansion of its business due to its association with Glengarry. The sales force of Hull-Thomson and Glengarry are combined to provide customers the manufacturing capability of the two complementary plants.

Heron Cable Industries Limited

Kitchener, Ontario
Robert D. Stellings, General Manager

HERON CABLE manufactures electric heating cable products for the residential, commercial and industrial markets. Recent emphasis in the mass merchandising field has resulted in the extension of traditional products to include "Sentinel" brand portable heaters, electric charcoal and log lighters, plastic extrusion profiles and injection mouldings. New facilities will be occupied in 1975.

Delhi Industries Limited

Delhi, Ontario
Gordon K. McClatchie, President

DELHI INDUSTRIES completed an expansion of manufacturing facilities in 1974 which will enable the Company to introduce in 1975 an additional line of products to their air moving equipment which is gaining increased recognition at the specification level by architects and consulting engineers.

Thermetic Controls Limited

Toronto, Ontario
W. G. Rea, President

THERMETIC CONTROLS have increased their capability for manufacturing linear cut-outs. In addition, they have added research and development facilities to expand their line of electrical control devices.

Milltronics Limited

Peterborough, Ontario
John P. Gemmell, Vice President & General Manager

MILLTRONICS acquired in 1974 the exclusive Canadian marketing and manufacturing rights for the Merrick line of conveyor belt scales and weighing feeders. This line complements the existing product line of Milltronics oriented to the process industries including ultrasonic level measuring systems, ore grinding mill control systems, motion alarms and detectors, electrical and electronic sensors.

PHOTOS
1 CCMW packaged electric steam boiler.
2 AWC-line cabinet convector and B4 baseboards.
3 Chromalox duct heaters.
4 Cam II through-the-wall air conditioning unit.
5 "Sentinel" merchandising products.
6 Official opening warehouse addition by Hon. Alastair Gillespie.
7 Roll forming at Glengarry.

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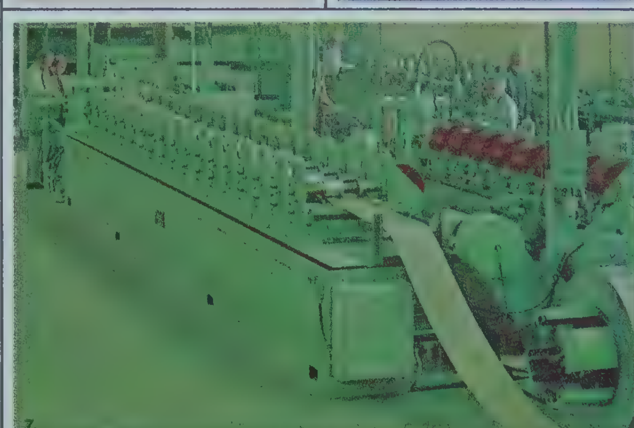

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SALES AND NET INCOME FOR THE GROUP

	1974	1973	1972	1971	1970
Sales	$41,774,000	$31,468,000	$24,776,000	$20,391,000	$16,403,000
Income before extraordinary items	4,215,000	2,879,000	1,815,000	1,377,000	789,000


TOOLS
TOOLS
hardware
WEISER LOCKS
paint
1


CASHWAY
CASHWAY
CUSTOMERS
2

RESIDENTIAL BUILDING SUPPLIES

The Larkin Lumber Company Limited

Canada Cashway Lumber Limited
Cashway North Limited
Toronto, Ontario
L. W. Larkin, President
John V. Cox, Executive Vice President

Burnel Graham Co. Limited
Schomberg, Ontario
Trevor Graham, President

Penn Building Centres Limited
Grimsby, Ontario
Robert Becker, President

The Peterborough Lumber Company Limited
Peterborough, Ontario
J. F. Haldimand, President

LARKIN LUMBER is one of Canada's major distributors and retailers of lumber and building materials serving the Ontario market. It operates 48 retail outlets under the names Cashway Lumber, Cashway North, Penn/Cashway Building Centres, Timberline, Peterborough Lumber and Burnel Graham.
Throughout 1974, the Cashway Division opened four new facilities. Considerable time and effort was devoted to updating existing facilities to provide greater showroom space and the handling of additional volumes of building materials.

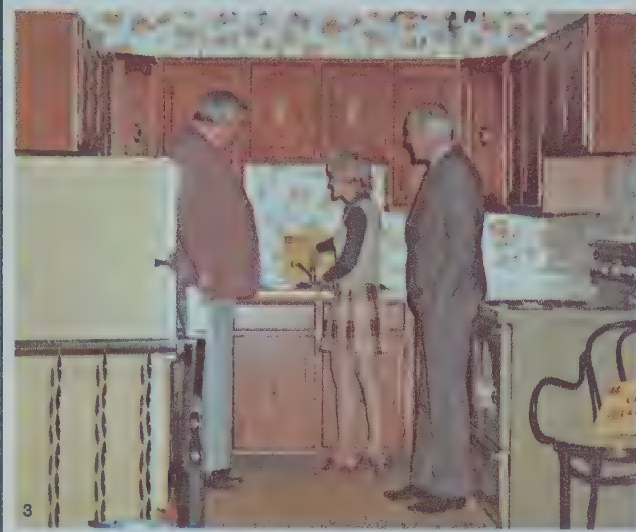
Peterborough Lumber, in addition to operating retail outlets, is active in cottage and home building as well as land development. Houses are moderately priced and often are sold to younger couples for their first home. This Company operates a kitchen cabinet manufacturing plant where extensive changes were made in operations during 1974 resulting in reduced costs and improved quality control. Products are marketed through associated companies.

The Larkin Companies experienced a significant drop-off in demand for building materials supplying the new house construction market towards the end of 1974, however, demand continued to be strong in the "do-it-yourself" market segment.

In spite of the volatile prices in the building materials related to the steel and petrochemical industries and sharp price declines from forest products suppliers, the distribution centres reacted to maintain profitable levels and their position of dominance with the retail consumer.

Timberline Home Centres Limited
Mississauga, Ontario

The Company's first joint venture store with Canadian Tire opened in February of 1975. This first experimental "Timberline" store is located beside the Canadian Tire store in Stratford. It is expected further outlets will be added in the near future.



PHOTOS
1 One of our new modernized showrooms.
2 Cashway distribution centre in Kingston.
3 Kitchen cabinet display in a Cashway outlet.
4 Modern housing development by Peterborough Lumber.

SALES AND NET INCOME FOR THE GROUP

	1974	1973	1972	1971	1970
Sales	$71,912,000	$57,538,000	$47,608,000	$38,360,000	$24,963,000
Income before extraordinary items	3,188,000	2,971,000	2,534,000	1,992,000	1,443,000

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GRAPHICS

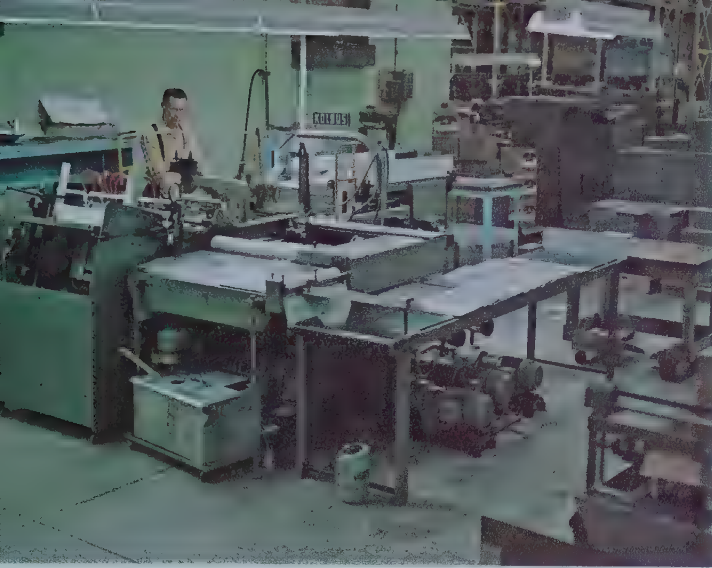
Canada Decalcomania Company Limited

Toronto, Ontario
R. C. Broad, President

Eagle Transfers Limited & Decorettes Limited
Lichfield, England
J. P. Polmear, Chairman

CANADA DECALCOMANIA is the oldest and largest designer and producer of decalcomania transfers, pressure sensitive products and labels in Canada. The company specializes in decals for product identification, point of purchase advertising, and truck identification. A comprehensive consumer goods line and a complete range of seals, tags, and pressure sensitive labels, completes their broad range of products and establishes their reputation as marking specialists.
A recent addition to their line of products is ROLL-MARK ceramic decals for the decoration of glass containers of all types and aluminum cookware.
Canada Decal has two wholly owned subsidiaries in England — Decorettes Limited, a sales organization, and Eagle Transfers Limited, a company which occupies the leading position in the manufacture of industrial and consumer goods decals in Great Britain.

PHOTOS
1 Company identification using decals.
2 Roll-Mark ceramic decals.
3 High speed production of book covers.
4 Automatic book assembly.
5 New Regal London Ontario catalogue outlet.
6 Regal display at Canadian National Exhibition.



Regal Stationery Company Limited

Toronto, Ontario
J. P. Parker, President

REGAL STATIONERY manufactures greeting cards, personal stationery and miscellaneous paper products. It also merchandises a wide range of novelty items through a unique direct selling organization.

The Company has plants in Toronto and Omemee, Ontario. Distribution centres are located in Toronto, Halifax and Vancouver. Two catalogue outlets have been in operation in Toronto for several years, and a new outlet was opened in London, Ontario in 1974. In early 1975 catalogue outlets will be opened in the Vancouver and Halifax distribution centres.

Richardson, Bond & Wright Limited

Owen Sound, Ontario
R. A. Morrison, President

RICHARDSON, BOND & WRIGHT is one of Canada's leading commercial printers with a developing emphasis in the periodical, catalogue, computerized typesetting and book production markets. In 1974, the company added the latest bookbinding facilities to its modern plant located in Owen Sound. This capability together with reoriented production and sales personnel is aimed at satisfying the increasing demands of the country's book publishers.

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19

SALES AND NET INCOME FOR THE GROUP

	1974	1973	1972	1971	1970
Sales	$35,254,000	$21,486,000	$15,991,000	$13,638,000	$ 9,342,000
Income before extraordinary items	1,146,000	770,000	560,000	262,000	136,000

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Dominion Forge Company Limited

Windsor, Ontario
J. P. Halada, President

DOMINION FORGE, a major producer of hot forgings and cold extrusions, successfully achieved in 1974 their objective to diversify their markets away from automotive products to earthmoving, truck and "off-highway" equipment. The technological launching of these new products was accomplished satisfactorily. Forged ripper teeth for excavation equipment used in North Slope oil exploration is one of the most dramatic growth areas. The electrical discharge machining centre was expanded during the year for this new business.

Sales in 1974 were maintained despite severe steel shortages.

The Guelph Engineering Company Limited

Guelph, Ontario
J. R. Gauch, Vice President and General Manager

GUELPH ENGINEERING is Canada's leading specialty valve manufacturing and engineering company for the power generation, oil and gas transmission and petrochemical markets. Research and development activity continued to provide support in 1974 to the company's business. During the past year several large contracts were received for nuclear class valves to be supplied to heavy water plants and power stations in Ontario, Quebec and New Brunswick over the next three years. A contract was also received from Atomic Energy of Canada to supply nuclear valves for the Cordoba Nuclear Power Station in Argentina. Steps have been taken to increase and upgrade the machining, assembly and testing facilities.

Neo Industries Limited

Hamilton, Ontario
J. P. Jones, Vice President and General Manager

NEO INDUSTRIES is primarily a roll manufacturer and producer of specialized machined and hard chrome plated parts for a wide range of industries. Imaginative and innovative applications for industrial hard chrome plating play a significant role in the company's expansion. During the past year additional capacity was installed which included a new chain saw cylinder machining and plating facility.

Land was purchased for a second plant to be constructed in Saltfleet near Hamilton in 1975.

Northern Pigment (1970) Limited

Toronto, Ontario
R. F. Taylor, President

NORTHERN PIGMENT completed in 1974 a program to modernize and enlarge production facilities of synthetic iron oxides for the markets in the construction and ceramic ferrite industries. The plan included the introduction of modern, efficient calcination equipment which, in addition to providing additional capacity, will greatly increase quality and purity and will enable the company to continue its diversification into new and more sophisticated grades of oxides. Manufacturing capacity is adequate to meet requirements over the next several years.

PHOTOS
1 From left to right L. Coughlin, J. Halada, and R. Crocombe of Dominion Forge with new products.
2 Forged ripper teeth.
3 Processing of yellow synthetic iron oxide at Northern Pigment.
4 R. Taylor and W. Nord inspecting new calcination equipment.
5 Chain saw cylinder hard chrome plated by Neo.
6 Hard chrome plated 8 ton work rolls for steel mills.

SALES AND NET INCOME FOR THE GROUP

	1974	1973	1972	1971	1970
Sales	$32,241,000	[illegible]	[illegible]	[illegible]	[illegible]
Income before extraordinary items	2,109,000	[illegible]	[illegible]	[illegible]	[illegible]


JELINEK
V1720
GENUINE LEATHER
OFFICIAL SIZE & WEIGHT
R784
official
size weight
waterproof
STAR
G 410
KAWASAKI
1


Toe Wigglers
Happiness to the Tip of Your Toes
Toe Wigglers
2

PRODUCTS AND SERVICES

Arosa Properties Limited

Toronto, Ontario
E. C. LaBerge, President

AROSA PROPERTIES is engaged in real estate and land development in the major metropolitan areas of Southern Ontario.

IEC-Holden Ltd.

Montreal, Quebec
R. B. Winsor, President

IEC-HOLDEN markets a wide range of industrial and railway products throughout Canada and manufactures and assembles many of its products. The Industrial Division distributes material handling equipment, engines, tools and automotive equipment. The Railway Division markets specialty products and services for rolling stock, locomotives and track structures. In 1974, the company formed a joint venture with Elastic Rail Spike Co. Ltd. of England to manufacture and sell Pandrol rail clips. The production of these premier rail fastenings will commence at a new Montreal based plant in 1975.

Jelinek Sports Limited

Oakville, Ontario
F. V. Jelinek, President

JELINEK SPORTS is an importer, manufacturer and distributor of sporting equipment supplying complete lines for tennis, badminton, baseball, soccer and table tennis. In 1974 the company became exclusive Canadian distributor for the world famous Kieffer saddle line and the Kawaski Racket Co.
FRANK MARIANO COMPANY, a leading importer of ski equipment, added a quality line of downhill and cross country ski clothing in 1974.

Parker's Dye Works & Cleaners Limited

Toronto, Ontario
R. R. McGillivray
Vice-President and General Manager

PARKER'S CLEANERS, a highly respected company in its industry, operates 32 laundry and dry cleaning establishments in the Toronto region. Two new depots will be opened in early 1975. Improvements in operating efficiencies enabled the company to maintain a healthy performance in spite of higher labour and rental renewal costs.

Tender Tootsies Limited

London, Ontario
G. E. Lyons, President

TENDER TOOTSIES is one of Canada's leading manufacturers of ladies slippers and slipper/shoes. It was a busy year with a new 25,000 square foot addition added to their main Glencoe, Ontario plant. New products, Sunshiners, Toewigglers and Woc-a-Mocs have proven to be excellent sales leaders in the casual shoe market complementing the always strong Tender Tootsies. These continuing efforts have allowed Tender Tootsies Ltd. to fortify its product acceptance and be "always a little better" in the Canadian footwear industry.

Triad Financial Services

Toronto, Ontario
W. L. Seeley, President

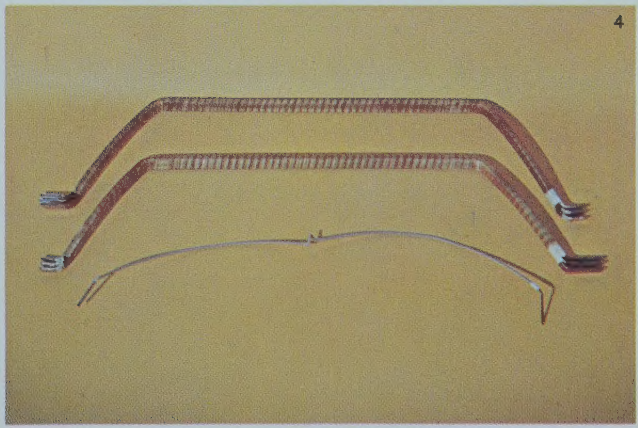
TRIAD changed it's operating name to TRIAD FINANCIAL SERVICES, to better reflect a diversity of market penetration from consumer, store fixture and industrial paper to well secured receivables in the transportation, communication, graphic arts and machine tool industries. Triad commenced their Montreal operation in mid 1974.

York Telecommunications Limited

Toronto, Ontario
E. S. Cockle, Vice-President and General Manager

YORK TELECOMMUNICATIONS leases and sells two-way radio communications systems to a wide range of customers in Toronto and adjacent areas. To expand its base of operations an equipment sales division was established in 1974.

PHOTOS
1 Jelinek sporting equipment.
2 Toe Wigglers for "Happiness to the tips of your toes."
3 Test track near Jasper, Alberta using Pandrol rail clips.
4 Armature coils for diesel locomotive traction motors.



SALES AND NET INCOME FOR THE GROUP

	1974	1973	1972	1971	1970
Sales	$50,557,000	$31,128,000	$30,987,000	$25,024,000	$20,468,000
Income before extraordinary items	959,000	558,000	517,000	123,000	70,000

1974
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED